The Effect of Country of Origin and Country of Manufacture on Perceived Quality and Purchase Intention on Toyota Cars in West Nusa Tenggara, Indonesia

Wulandari, Ni Wayan Sri; Sakti, Dwi Putra Buana; Athar, Handry Sudiartha

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Ni Wayan Sri Wulandari [1], **Dwi Putra Buana Sakti** [1], **Handry Sudiartha Athar** [1]

[1] *University of Mataram*
Jl. Majapahit No 62 Mataram, Nusa Tenggara Barat, Indonesia

Abstract. This study aims to determine and analyze the influence of Country of Origin and Country of Manufacture variables on Purchase Intention and Perceived Quality, as well as the impact of Perceived Quality variables on the Purchase Intention of Toyota Cars in West Nusa Tenggara. The type of research used is causal research. The population in this study was all consumers interested in buying a Toyota car at the Toyota Dealer in West Nusa Tenggara. The sample volume was 115 people, and the data analysis used was Structural Equation Modeling PLS. The results showed that the Country of Origin positively and significantly affects Purchase Intention and Perceived Quality. Variable Country of Manufacture has a positive and significant influence on Purchase Intention but has no significant impact on Perceived Quality. Perceived quality has a positive and significant effect on Purchase Intention. The results of this research can be input and consideration for companies in implementing development strategies.

Keywords: Country of Origin; Country of Manufacture; Purchase Intention; Perceived Quality

INTRODUCTION

In the global economy, many large companies carry out production activities abroad. To obtain lower production costs, multinational companies carry out the relocation process by moving their production bases from developed to developing countries. This phenomenon makes a new division of labour system more profitable for developing countries, especially regarding the internationalization of capital and technological absorption. Many foreign companies have emerged in developing countries; one example is Toyota's emergence in Indonesia. Toyota is known as a car originating from Japan, which has better quality than similar products from other countries. In addition to Indonesia, Toyota has been marketed to 27 countries worldwide.

Since companies made their manufacturing in developing countries, marketing researchers began to discuss the topic of Country of Origin and distinguish between Country of Manufacture and Country of Origin [1]. This is because each country has a different image of each consumer in another country. In addition, consumers use the Country of Origin as an indicator to assess a product [2]. The name of a country as a Country of Origin of a product is usually associated with the product's perceived quality and the country's name as a "brand". In the perception of a global consumer audience, each country is associated with specific attributes that influence the decision-making process [3].

Furthermore, recently the term "multiple images" has emerged, where consumers consider not only the image of the Country of Origin to evaluate the product but also the image of the Country of Manufacture of the product [4]. Previous research has stated that the Country of Manufacture positively influences the perception of quality [5, 6, 7]. The perception of quality will create confidence in the minds of consumers in a brand product, and the new information thought will determine the purchase [8]. When consumers have a good perception of the country that is the Country of Manufacture, the perceived quality of the product consumers will be better. In addition, previous research by [9] stated a positive relationship between perceptions of product quality and buying intentions. That is, the better the perception of the quality of a product, the more likely the public is to make purchase intentions.

Literature review

The Effect of Country of Origin on Purchase Intention. Country of Origin is any form of consumer perception of a country's products based on the consumer's previous perception of the advantages and disadvantages of production and marketing of the country concerned. An imported product will not be separated from where the country of origin of the product. The country of origin of a product, commonly referred to as the Country of Origin, is contained in one of the elements of product attributes that can become stimuli in the minds of consumers and are closely attached to the product. This stimulus can give rise to a perception regarding the product itself. It is this perception that will determine a person in making a purchase decision. The research results reinforce this statement [10] that the Country of Origin affects Purchase Intentions. Similarly, a study by [11, 12] found that Country of Origin affects Purchase Intentions. Thus, the first hypothesis of this study is as follows:

H1: The higher the Country of Origin, the higher the Purchase Intention.

The Effect of Country of Manufacture on Purchase Intention. Country of Origin Manufacture is a general consumer assessment of the country where the product is manufactured based on information received from various sources. Multinational corporations need to determine the country chosen as the Country of Manufacture. This is because each country has a different image of each consumer in another country. Previous research states that the Country of Manufacture positively influences purchasing interest [6]. Thus, the second hypothesis of this study is as follows:

H2: The higher the Country of Manufacture, the higher the Purchase Intention.

The Effect of Country of Origin on Perceived Quality. Some good or service consumers will see the country where the product is produced before determining what to buy. The country of origin of a product is called the Country of Origin, which is generally considered part of the characteristics of a product. This Country of Origin will cause a perception of a product's good and bad quality. The perception of this quality will affect the views of potential consumers on the products offered by the manufacturer (Perceived Quality). A study by [13] found that Country of Origin affects Quality Perception. Similarly, author [3] found that Country of Origin affects Perceived Quality. Thus, the third hypothesis of this study is as follows:

H3: The higher the Country of Origin, the higher the Perceived quality.

The Effect of Country of Manufacture on Perceived Quality. A Country of Manufacture is where products are manufactured or assembled. The concept suggests that some global and transnational companies are no longer doing the entire production chain in their countries. The production series is carried out in other countries but still refers to the land of origin. The image of the product's country of origin is a certain amount of trust in people, ideas, and impressions about the product's country of origin.

In contrast, the image of the country where the manufacturer is located is a certain amount of trust in people, ideas and impressions about the country where the product is produced. A country that is perceived to have a positive image will also contribute positively to everything that comes from and is associated with the country's name. This is in line with the view of [14] that the country's image is very positive as a source that contributes to the perception of the quality of the country's brand of positive value. Thus, the fourth hypothesis of this study is as follows:

H4: The higher the Country of Manufacture, the higher the Perceived quality.

The Effect of Perceived Quality on Purchase Intention. To build long-term relationships with consumers, marketers must ensure that the perceived quality of their products among consumers is high and remains so. The perception of quality will affect the views of potential consumers on the products offered by producers or what is commonly called perceived quality. Ultimately, consumers will involve in the following process, namely purchase intention. The purchase intention process includes the desire and plans to buy. Consumers will make considerations before finally deciding whether to buy a product according to their wishes. This statement is from the research conducted by [15], which states that Perceived quality affects consumer purchasing decisions. Similarly, the research results by [3] showed that Perceived quality affects consumers' purchasing decisions. Thus, the fifth hypothesis of this study is as follows:

H5: The higher the Perceived Quality, the higher the Purchase Intention.

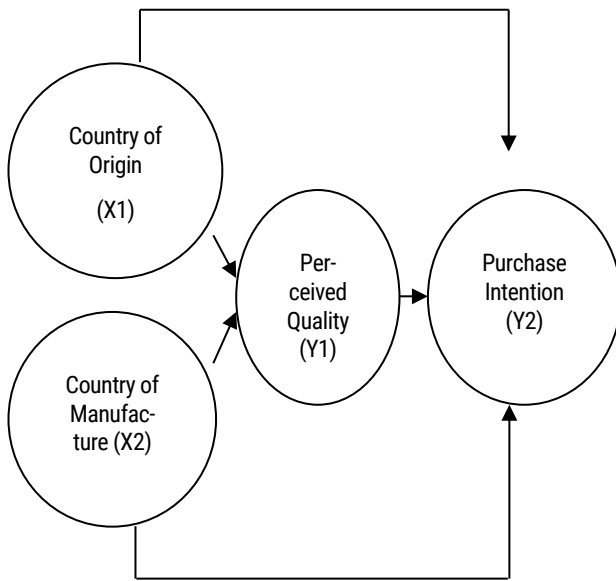Based on the above explanations, the empirical model in this study is presented in the following Figure 1.

Figure 1 – Conceptual Framework

METHOD

This research is a quantitative study that explicitly uses a causal approach. The population is all consumers interested in buying a Toyota car at the Toyota Dealer in West Nusa Tenggara, Indonesia. The total sample was 115 people. The sampling technique used was accidental sampling. In this study, the sample is consumers who happen to be visiting the location of the research object, namely in Krida Toyota, West Nusa Tenggara. The data analysis used was Structural Equation Modeling based on covariance, namely PLS (Partial Least Square) with SmartPLS. The PLS model contains two measurement elements, namely the design of a structural model or called an inner model, and a measurement model or called an outer model. The internal model provides an overview of the association between exogenous and endogenous variables. In contrast, the external model deals with the validity of each manifest variable compiled to describe each variable.

RESULTS AND DISCUSSION

The study collected responses from 115 respondents. The characteristics of respondents vary widely. More data can be seen in Table 1.

Table 1 – Characteristics of Respondents

Variable	Description	Sum.	%
Gender	Male	81	70
	Female	34	30
Age	<31	8	7
	31-40	52	45
	41-50	30	26
	>50	25	22
Income	<Rp 5 million	11	10
	Rp 5–7mln	68	59
	>Rp 7 mln	36	31
Education	High School	14	12
	Diploma	4	3
	Bachelor	87	76
	Master	10	9

Test Results of the Measurement Model (Outer model) are presented in Table 2.

Table 2 – Loading Factor's Value

Variable	Item	Outer Loading	Criteria
Country of Origin (X1)	X1.1	0,618	Valid
	X1.2	0,663	Valid
	X1.3	0,710	Valid
	X1.4	0,598	Valid
	X1.5	0,574	Valid
	X1.6	0,683	Valid
	X1.7	0,606	Valid
Country of Manufacture (X2)	X2.1	0,733	Valid
	X2.2	0,726	Valid
	X2.3	0,723	Valid
	X2.4	0,700	Valid
	X2.5	0,648	Valid
Perceived Quality (Y1)	Y1.1	0,633	Valid
	Y1.2	0,681	Valid
	Y1.3	0,792	Valid
	Y1.4	0,823	Valid
	Y1.5	0,779	Valid
	Y1.6	0,761	Valid
	Y1.7	0,828	Valid
Purchase Intention (Y2)	Y2.1	0,758	Valid
	Y2.2	0,810	Valid
	Y2.3	0,793	Valid
	Y2.4	0,833	Valid

Since all items are valid, these indicators are then used in model testing. Furthermore, researchers conduct validity and reliability tests. The test results can be seen in Table 3.

Table 3 − Quality Criteria

Variable	Average	Composite Reliability	Cronbach's Alpha
Country of Origin (X1)	0,407	0,827	0,757
Country of Manufacture (X2)	0,500	0,833	0,749
Perceived Quality (Y1)	0,577	0,905	0,876
Purchase Intention (Y2)	0,638	0,876	0,811

The discriminant validity test in this research was carried out using the Average Variance Extract (AVE) value. To be valid, the first condition that must be met is that the AVE value must be greater than 0.50 or close to that value. In Table 3, it can be seen that the AVE value of most variables is > 0.50, and one of the variables has a value close to 0.50, so the first condition is fulfilled. Based on the data, it can also be concluded that all items meet the requirements, so all items are valid and can be used to test this research model. Furthermore, the composite reliability value of each variable is more significant than 0.70. Likewise, the value of Cronbach's alpha is by the recommended value (>0.70). Therefore, it is concluded that internal consistency has been fulfilled so that all of the variables in this study are reliable.

Test Results of the Structural Model (Inner Model) are presented below. Testing the Path Coefficient and Coefficient of Determination (R^2). In this test, a test of the path coefficient and the coefficient of determination are carried out. The test results can be seen in Table 4.

Table 4 −R^2 Value

Variable	R² Adjusted
Perceived Quality	0,230
Purchase Intention	0,485

Based on the total coefficient of determination of purchase intention, which is 0.485, the diversity of data that this research model can explain is 48.5%. In addition, the total coefficient of determination of perceived quality is 0.230, which means that the diversity of data that this re-

search model can explain is 23%. At the same time, the rest is explained by other variables from outside the model that was not included in this research model.

The Bootstrapping algorithm is used to determine whether or not the hypothesis proposed is acceptable. The hypothesis will be supported at a significance level of 0.05 if the p-value is less than the critical value of 0.05 (5%). The test results can be seen in the following Figure 2 and Table 5.

Table 5 − Results of Structural Model Test

Influence between Variables	Coefficient	T Stat	P Value	Conclusion
Country of Origin -> Purchase Intention	0,248	2,127	0,018	Significant
Country of Manufacture -> Purchase Intention	0,278	3,312	0,001	Significant
Country of Origin -> Perceived Quality	0,363	2,777	0,003	Significant
Country of Manufacture -> Perceived Quality	0,175	1,047	0,149	Insignificant
Perceived Quality -> Purchase Intention	0,337	3,388	0,001	Significant

Through hypothesis H_1 testing with PLS, the test result shows that the coefficient value is 0.248 with a p-value of 0.018 (lower than the error tolerance of 5%/0.05), which means that the Country of Origin is proven to have a positive and significant effect on purchase intention. The first hypothesis is accepted.

Through hypothesis H_2 testing with PLS, the test result shows that the coefficient value of 0.278 with a p-value of 0.001 (lower than the error tolerance of 5% (0.05), which means that the Country of Manufacture is proven to have a positive and significant effect on purchase intention. The second hypothesis is accepted.
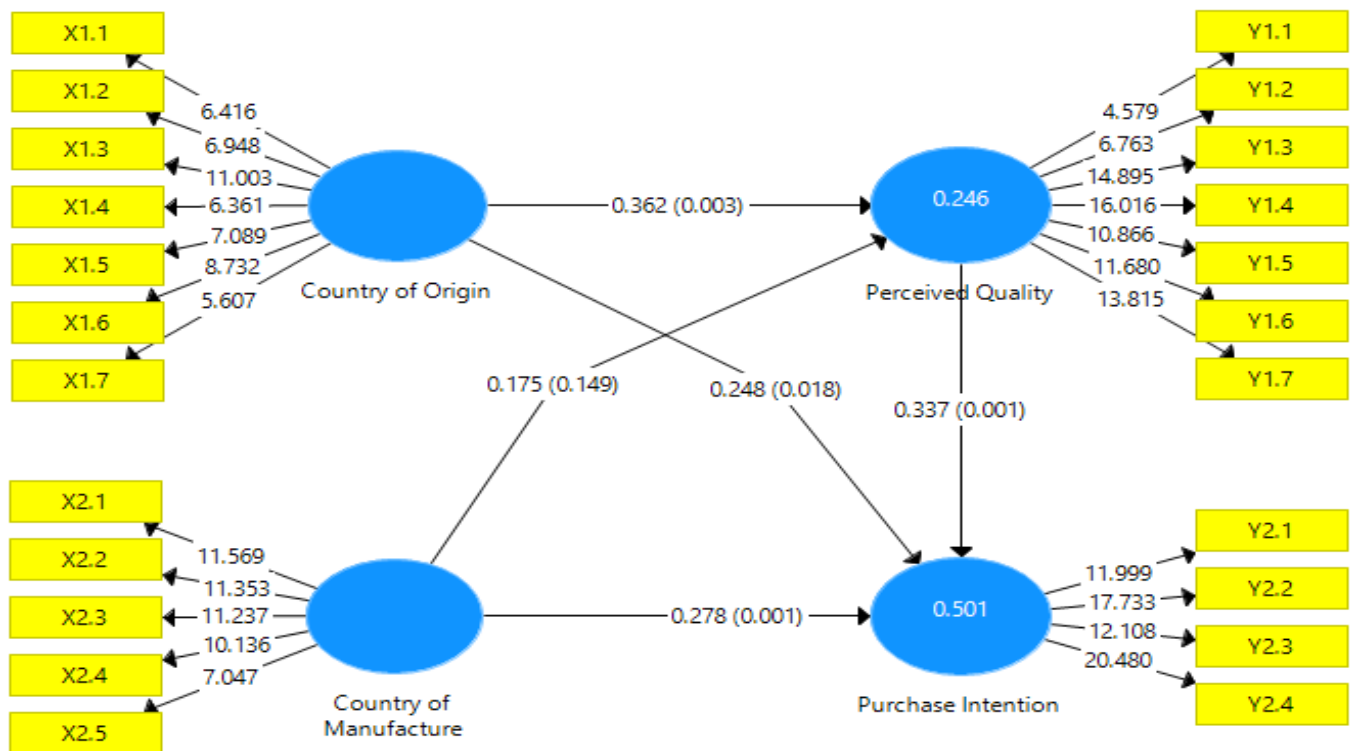
Figure 2 – Structural Model

Through hypothesis H_3 testing with PLS, the test result shows that the coefficient value is 0.363 with a p-value of 0.003 (less than the 5% error tolerance (of 0.05), which means that the Country of Origin is proven to have a positive and significant effect on perceived quality. The third hypothesis is accepted.

Through hypothesis H_4 testing with PLS, the test result shows that the coefficient value is 0.175 with a p-value of 0.149 (more significant than the error tolerance of 5% (0.05), which means that the Country of Manufacturing doesn't have a substantial effect on perceived quality. The fourth hypothesis is rejected.

Through hypothesis H_5 testing with PLS, the test result shows the coefficient value is 0.337 with a p-value of 0.001 (lower than the error tolerance of 5% (0.05), which means that Perceived quality has a positive and significant effect on Perceived Quality. The fifth hypothesis is accepted.

The results showed that the Country of Origin positively and significantly affects the Purchase Intention of Toyota Car Consumers in West Nusa Tenggara. The higher the country of origin, the higher the Consumer purchase intention. Conversely, the lower the Country of Origin, the lower the consumer purchase intention. This can be

explained as buying interest can be formed through stimuli, one of which is the Country of Origin. The results state that the Country of Origin affects Purchase Intentions.

In addition, it was also found that the Country of Manufacture had a positive and significant effect on the Purchase Intention of Toyota Car Consumers in West Nusa Tenggara. That is, the higher the perception of the Country of Manufacture in Toyota Car, the higher the Consumer Purchase Intention. On the other hand, the lower the perception of the country of manufacture of Toyota Car, the lower the consumer purchase intention.

The results of this study also show that the Country of Origin has a positive and significant effect on Perceived Quality. That is, the higher the perception of the Country of Origin of Toyota cars, the higher the perception of the Quality of Toyota Cars. On the other hand, the lower the perception of the Country of Origin of Toyota, the lower the Consumers' Perceived quality.

Other results in this study show that the Country of Manufacture has a positive but not significant effect on Perceived Quality. This means that the Country of Manufacture will not significantly impact perceived quality. This is different from the view of [16] that a country's positive image can contribute to the perception of the quality of the

country's brand. This means that the idea of the country and the Quality of Toyota Car products that are already positive are independent of the concept of the country where they are produced (namely Indonesia). This also means that Toyota can make cars anywhere in the world, and the appearance of product quality will remain positive in the minds of their consumers.

It was also found that Perceived quality positively and significantly affects Purchase Intention. The higher the Perceived Consumer Quality of Toyota Cars in West Nusa Tenggara, the higher the Purchase Intention toward Toyota Cars. On the other hand, the lower the Perceived Consumer Quality of Toyota Cars in West Nusa Tenggara, the lower the Consumer Purchase Intention. Thus, when developing a marketing strategy, marketers should consider every factor related to the perception of quality.

CONCLUSIONS

It can be concluded that the Country of Origin has a positive and significant effect on Purchase Intention and Perceived Quality. Country of Manufacture positively and considerably influences Purchase Intention. Still, it has no significant impact on Perceived Quality, and Perceived quality has a positive and significant effect on Purchase Intention. The results of this research can be input and consideration for companies in implementing Country of Origin and Country of Manufacture in their company development efforts.

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